

## The Insolvency Act 1986

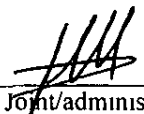
**Administrator's progress report**

Name of Company <b>Merthyr And Rhondda Cynon Taff Groundwork Trust</b>	Company number <b>02087537</b>
In the <b>The High Court of Justice, Chancery Division, Birmingham District Registry</b> [full name of court]	Court case number <b>8579 of 2013</b>

(a) Insert full name(s) and address(es) of administrator(s) **I/We (a) Ian Gould and Simon Edward Jex Girling of BDO LLP 125 Colmore Row, Birmingham, B3 3SD**

administrator(s) of the above company attach a progress report for the period

(b) Insert date	From	to
	(b) 6 November 2013	(b) 5 May 2014

Signed   
Joint administrator(s)

Dated 2/6/14

**Contact details**

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

<b>BDO LLP, 125 Colmore Row, Birmingham, B3 3SD</b>	
Our Ref <b>7866/1M/Form 2/A6</b>	Tel
DX Number	DX Exchange

When you have completed and signed this form please send it to the Registrar of Companies at  
Companies House, Crown Way, Cardiff, CF14 3UZ **DX 33050 Cardiff**



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A08 03/06/2014 #239

COMPANIES HOUSE

TUESDAY

**Private and Confidential****TO ALL KNOWN CREDITORS AND MEMBERS  
THE HIGH COURT  
THE REGISTRAR OF COMPANIES**

2 June 2014

Your ref  
Our ref 00237101/KOR/IMDirect line 0121 265 7220  
Email [Ilyas.multan@bdo.co.uk](mailto:Ilyas.multan@bdo.co.uk)

Dear Sirs

**Merthyr And Rhondda Cynon Taff Groundwork Trust In Administration ("the Trust")****Report to creditors on the progress of the administration pursuant to Rules 2.47 of the  
Insolvency Rules 1986**

We write to give you our first progress report on the conduct of the Administration for the period from 6 November 2013, being the date of our appointment, to 5 May 2014 ("the Period").

The following schedules are attached to this report:

Appendix A	Statutory information
Appendix B	Form 2 24B Administrators' progress report
Appendix C	A summary of the Joint Administrators' receipts and payments account for the period from 6 November 2013 to 5 May 2014
Appendix D	An analysis of the Joint Administrators' time charged to the Administration from 6 November 2013 to 5 May 2014
Appendix E	A creditors' guide to administrators' fees

**1. General overview**

- 1.1 This is our first progress report on the Administration of the Trust, prepared and distributed in accordance with Rules 2.47 of The Insolvency Rules 1986 (the "Rules").
- 1.2 This report covers the period from 6 November 2013, being the date of our appointment, to 5 May 2014 ("the Period").
- 1.3 This report should be read in conjunction with the Administrators' Proposals ("the Proposals") issued in December 2013.

4022052/RDT/IM/IJG

Details of the authorising bodies of the insolvency appointment takers of BDO LLP are available at [www.bdo.co.uk/services/business\\_restructuring/authorising\\_bodies\\_of\\_insolvency\\_appointment\\_takers](http://www.bdo.co.uk/services/business_restructuring/authorising_bodies_of_insolvency_appointment_takers)

BDO LLP, a UK limited liability partnership registered in England and Wales under number OC305127, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. A list of members' names is open to inspection at our registered office, 55 Baker Street, London W1U 7EU. BDO LLP is authorised and regulated by the Financial Conduct Authority to conduct investment business.



## **2. The Administrators Proposals**

2.1 In accordance with Paragraph 51 of Schedule B1 of the Insolvency Act 1986 and Rule 2.34 of the Insolvency Rules, a meeting of the Trust's creditors was duly held on 13 January 2013, during which the Proposals were approved without modification. The Proposals were

- (i) the Joint Administrators do all such things and generally exercise all of their powers as administrators contained in Schedule 1 of the Insolvency Act 1986, as they in their discretion consider desirable or expedient in order to achieve the purposes of the administration, to protect and preserve the assets of the Trust or maximise the realisation of those assets or for any purpose incidental to these proposals
- (ii) if thought appropriate, a creditors' committee be formed
- (iii) the Joint Administrators be discharged from liability in accordance with Paragraph 98 of Schedule B1 of the Insolvency Act 1986, 28 days after filing their final progress report in the Administration.
- (iv) the Joint Administrators at their sole discretion and at a time they feel is appropriate, either.
  - File the necessary returns at Court and with the Registrar of Companies to place the Trust into creditors voluntary liquidation pursuant to Paragraph 83 of Schedule B1 of the Insolvency Act 1986 and that Ian James Gould and Simon Edward Jex Girling of BDO LLP (the Joint Administrators) be appointed Joint Liquidators, or any other person(s) be appointed liquidator(s) of the Trust in accordance with Paragraph 83(7) of the same,

OR

- make application to Court to end the Administration pursuant to Paragraph 79 of Schedule B1 of the Insolvency Act 1986, following which, the Joint Administrators request that the Trust be compulsorily wound-up and Ian James Gould and Simon Edward Jex Girling (the Joint Administrators) may be appointed Joint Liquidators, if they so desire,

OR

- file the necessary return at Court and with the Registrar of Companies to dissolve the Trust pursuant to Paragraph 84 of Schedule B1 of the Insolvency Act 1986.
- (v) The Joint Administrators be remunerated in the sum of £6,000 as a fixed sum in relation to the work undertaken prior to their appointment as Joint Administrators.
- (vi) the Joint Administrators shall be remunerated on a time costs basis by reference to BDO LLP's normal rates for the time spent by them and their staff in attending to matters arising in the Administration.

### **3. Statutory objectives**

3.1 Pursuant to Paragraph 3(1) of Schedule B1 of the Act, the Joint Administrators are required to perform our functions with the objective of:

- a) rescuing the Company as a going concern, or
- b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration), or
- c) realising property in order to make a distribution to one or more secured or preferential creditors.

3.2 The first statutory objective, 3(1) (a) of Schedule B1 of the Act, cannot be achieved as the level of creditors liabilities meant that it would not be possible to rescue the Company as a going concern

3.3 Pursuant to comments made later in this report, providing realisations from the sale of the Company's freehold property are in line with current estimates, the second objective of achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) is expected to be achieved.

3.4 We consider that the third statutory objective, 3(1) (c) of Schedule B1 of the Act, will be accomplished in that property will be realised in order to make a distribution to the preferential creditors

### **4. Exit from Administration**

4.1 Based on present information, it appears likely that there will be sufficient funds available to enable a distribution to the Company's preferential creditors and the prospect of a return to the Company's unsecured creditors. However, any return to the said creditors is largely depend on the sale of the Trust's freehold property known as Fedw Hir ("the Property") and the ranking of the Co-operative Bank Plc's security over the property (discussed below)

- 4.2 As advised in the Administrators Proposals, we anticipate that the Company will exit the Administration by moving into creditors' voluntary liquidation (but at our ultimate discretion). It is likely that such a move will occur prior to 5 November 2014, being the date the Company will automatically exit the Administration.

**5. Asset realisations**

- 5.1 The following assets were realised in the Period or have otherwise yet to be realised.

**Freehold Property known as Fedw Hir**

Marketing and Sale of the Property

- 5.2 As advised in the Proposals, the Trust owns freehold land and property known as Fedw Hir in Aberdare which was previously used as the Trust's headquarters.
- 5.3 The property has been marketed by our agents, Messrs. Colliers International Limited ("Colliers") Based on Colliers advice, we have accepted an offer of £375,000 (subject to contract).

Co-operative Bank Plc ("Co-Op") legal charge

- 5.4 According to the land registry, the property is the subject of a legal charge in favour of the Co-operative Bank Plc ("Co-op") The Co-op has registered a charge against the property at the Land Registry. However, the legal charge has not been registered with the Registrar of Companies. Our legal advisors, Messrs Squire Sanders LP are assisting us with clarifying the validity of the security charged against the property by the Co-op
- 5.5 For the purposes of this report only, we have assumed that Co-Op do not hold security over the Company's property For the avoidance of doubt, this is subject to ongoing review

Tenant occupation under Service Level Agreement ("SLA")

- 5.6 As at the date of our appointment, a part of the above Property was occupied by two tenants, BDM Technology and Janro Ltd, under Service Level Agreements ("SLA") Shortly after our appointment BDM Technology served notice to end the SLA and a final rent payment of £793 has been received.
- 5.7 Janro Ltd remain in occupation and under the terms of the SLA are liable to pay rent of £1,253.75 per calendar month. However, due the Trust's demise certain sanitary services which form part of the SLA have been unavailable. The monthly rent has been reduced by approximately £57 per calendar month in order to cover costs to Janro Ltd for such supplies. During the Period of the report, we have received rental payment of £4,896. Payment for the month of April 2014 is yet to be received

#### Licence to Occupy Agreement

- 5.8 Pursuant to the sale of the Company's chattel assets to Groundwork Caerphilly (discussed below), the purchaser was granted a license to occupy a specific 'open area' on the Fedw Hir site for a fee of £100 per month. The agreement commenced on 6 March 2014 and expires on 5 March 2014. In addition to allowing access to specific outdoor space, the licence also includes access to a workshop, portacabins and kitchen/toilet facilities.
- 5.9 The sum of £100 has been received in respect of this license, during the period of this report.

#### Warden's Lodge

- 5.10 The caretaker at Fedw Hir remains an employee of the Trust and resides in the onsite detached house known as the Warden's Lodge. The caretaker is responsible for site security and property maintenance.
- 5.11 We understand that under the terms of the Caretaker's employment, the Trust is responsible for payment of his utility bills and Council Tax liabilities. Such payments have continued during the Administration.

#### **Post administration trading**

- 5.12 As advised in the Proposals, whilst sufficient staff members were retained to ensure that project work could continue, no income was generated during the period to 13 November 2013, being the date that all project staff were made redundant.

#### **Book debts**

- 5.13 As discussed in the Proposals, the nature of the Trust's project work meant that in a number of cases, the Trust had been paid in advance for certain contracts and projects and in these instances, the contract/project employer will have a claim against the Trust for the unsatisfied parts of the contract/project.
- 5.14 In other instances, the Trust had completed works for which it had not yet been paid and at the date of our appointment, the Trust's accounting records indicated that there were amounts due to the Trust totalling some £112,503 in respect of trade debtors and some instances of un-invoiced work in progress.
- 5.15 We have commissioned the services of a former employee of the Trust on a consultancy basis to agree final accounts with the Trust's major project providers for both complete and incomplete contracts.
- 5.16 Since the date of our appointment, we have written to the Company's debtors seeking payment of the amounts shown in the Trust's accounting records. Sums totalling £23,479 have been recovered.

**Furniture, equipment and motor vehicles**

- 5.17 Our agents, Messrs MGR Appraisals Limited ("MGR") valued the Trust's tangible assets at £42,600 in situ and £27,850 ex situ.
- 5.18 To date, our agents have realised £23,599 for motor vehicles. However, only £17,599 is shown on the attached receipts and payments account. The remainder of the funds are being held by our agents and will shortly be transferred to the Administration estate.
- 5.19 All remaining furniture and equipment have been sold to Groundwork Caerphilly generating gross realisations of £13,200, with the exception of tools required by the caretaker for property maintenance.
- 5.20 Our agents will shortly forward the funds into the Administration estate.
- 5.21 Total realisations from the Company's chattel assets equate to £36,799.

**Other realisations**

- 5.22 During the period of the report, the following sundry amounts were received:

- Insurance refund of £765
- PayPal Account £88
- Bank interest of £5

**6. Other matters**

- 6.1 As advised in the Proposals, prior to our appointment, the Trust was involved in an industrial tribunal claim which remains under investigation. In the event that any claim awarded, the claim is likely to be an unsecured claim against the Trust in Administration.
- 6.2 In addition to the above claim and as a result of the post Administration redundancies, there are a number of Tribunal Claims made against the Trust from former employees on the grounds of 'failure to consult'. Any awarded claims are also likely to rank as an unsecured claim against the Trust in Administration.
- 6.3 Pursuant to comments made earlier in this report, the outcome to unsecured creditors is largely dependant on the ranking of the security held by Co-Op. (see section 5.5).

**7. Investigations**

- 7.1 As Joint Administrators, we have a statutory duty to undertake an investigation into the financial affairs of the Company and the conduct of any person we believe to have been a director or shadow director of the Company in the three years prior to the commencement of the Administration. Our findings have been submitted in a confidential report to the Department for Business Innovation and Skills.
- 7.2 Creditors are invited to advise us of any matters relating to the Company's affairs which they have not already brought to our attention.

## 8. Secured Creditors

- 8.1 According to the records maintained by the Registrar of Companies, there are no registered charges against the Trust or its assets.
- 8.2 As advised earlier in this report, the Co-op have registered a charge at the land registry against the Trust's freehold property but have not registered their security at Companies house. Our legal advisors are in discussions with the Co-op's solicitors in respect of the validity and ranking of the Co-op's security
- 8.3 For the purposes of this report only, we have assumed that Co-op do not hold security over the Company's property.

## 9. Preferential Creditors

- 9.1 As discussed earlier in this report, with the exception of the care taker, the Trust's employees have all been made redundant. The Trust's employees have the following estimated claims against the Company.

	£
Arrears of pay	7,789
Arrears of holiday pay	25,965
Pension arrears	2,000
Redundancy pay	92,794
Pay in lieu of notice	85,729
	<u>214,277</u>

- 9.2 Of the above claims, arrears of pay, holiday pay and pension arrears are considered to rank as unsecured preferential creditor claims (and total £35,754).
- 9.3 Based on current information, it would appear that there will be funds available to enable a full repayment to those employee claims which rank as preferential creditors.

## 10. Unsecured Creditors

- 10.1 Based on a combination of the claims received from creditors and the amounts shown as being due in the Trust's books and records, the Trust would appear to have the following unsecured claims

	£
Trade and expense creditors	161,056
HM Revenue & Customs - PAYE/NIC	19,043
HM Revenue & Customs - VAT	3,096
Employee claims	178,523
Groundwork UK	35,800
The Cooperative Bank	270,000
	<u>667,518</u>



- 10.2 Based on current information, there will be a return to unsecured creditors of the Company. Pursuant to comments made earlier in this report, any such return is largely dependant on the sale of the Trust's property and the validity of the Co-Op's security.

## **11. Prescribed Part**

- 11.1 Section 176A of the Act requires Administrators to set aside a prescribed amount of the Company's "net property" towards the satisfaction of unsecured debts. Net property is the amount of property that would otherwise be available for satisfaction of holders of debentures secured by, or holders of, any floating charge created by the Company on or after 15 September 2003.

- 11.2 A prescribed part calculation will not be required as the amount of net property is £nil.

## **12. Administrator's Remuneration and disbursements**

### **Pre-appointment costs**

- 12.1 Our time costs from 24 October 2013 up to the date of our appointment on 6 November 2013 amount to £22,196 which represents 64 hours at an average hourly rate of £346.

- 12.2 Prior to our appointment, we were instructed by the board of Trustees to undertake a review of the Trust's financial position and comment on the long term viability of the Company. We were subsequently asked to advise the board on the insolvency options available to the Company.

- 12.3 From that point, our work up to the date of our appointment was undertaken with a view to furthering the achievement of the objectives of the administration as detailed in Section 2 of this report. This work included the following:

- reviewing the Trust's current and ongoing project work,
- liaising with agents with regards to the value and disposal prospects of the Trust's assets,
- assistance in commencing formal insolvency proceedings,
- preparation for and attendance at the Trust's board meetings,
- advice regarding the Trust's financial position and the options available.

- 12.4 The payment of unpaid pre-administration costs as an expense of the administration is subject to approval in accordance with Rule 2.67(A). As part of the Administrators' proposals, a request to draw fees to the sum of £6,000 (as oppose to the value of our time costs) was put to the relevant creditors at the meeting of creditors held on 13 January 2014.

- 12.5 As advised earlier in this report, the Administrators Proposals were approved, without modification, on the same date.

- 12.6 No pre-appointment fees have been drawn during the period of this report. We intend to draw our agreed fee of £6,000 as soon as sufficient funds are available. The remainder of our pre-appointment time costs will be written off.

**Post Appointment Time costs**

- 12 7 At the creditors meeting on 13 January 2014, creditors approved that we should be remunerated on a time costs basis by reference to BDO LLP's normal rates for the time spent by us and our staff in attending to matters arising in the Administration.
- 12 8 Total post appointment time costs incurred from the date of Administration to 5 May 2014 amounts to £103,155 which represents 459 hours at an average hourly rate of £225.
- 12.9 We would advise that no fees have been drawn in respect of these time costs during the Period of this report
- 12 10 A detailed analysis of the time costs incurred is enclosed and the charge-out rates for the period are summarised as follows:

Staff grade	Average rate (£ per hour)
Partner / Director	461 - 319
Senior Manager / Manager	295 - 230
Supervisor	185
Administrator / Support Staff	156 - 62

- 12 11 These amounts are derived by reference to BDO LLP's normal rates for time properly given by me and my staff in attending to matters arising in this insolvency. Where members of our staff have been employed on this insolvency they have been so based on their experience and abilities in dealing with a case of this nature. Where appropriate, certain staff dealt with a specific area of the Administration due to their specialist skills in that area. We should advise you that our scale rates increase from time to time over the period of the administration of each insolvency.
- 12 12 All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.
- 12 13 A creditors' guide to fees, which provides information regarding creditors' rights in relation to insolvency practitioners' fees, can be obtained by visiting our website. The relevant guide can be accessed through [www.bdo.co.uk/cgtf](http://www.bdo.co.uk/cgtf). A copy of the guide can be provided upon request by contacting this office.
- 12 14 During the Period, the following costs were incurred (in relation to floating charge realisations unless otherwise stated)
- Utility Bills £2,709
  - EPC £1,190

- Payroll fees £1,440
- Wages & Salary £19,590
- Pension Deductions £158
- Management Assistance £5,241
- Legal Fees £794
- Stationary & Postage £42
- Storage Costs £2,358
- Statutory Advertising £161
- Insurance of Assets £67
- Bank charges of £12

- 12 15 For the avoidance of doubt, we do not propose to charge internal disbursements, known as Category 2 disbursements to the Administration estate.
- 12 16 Any secured creditor or unsecured creditor with the concurrence of at least 5% in value of the total unsecured creditors, including the value of their own claim, or with the permission of the Court, may make a formal request in writing to the Administrators for further information about the remuneration or expenses (other than pre-administration costs) set out in this report, pursuant to Rule 2 48A of the Rules as amended. Such request must be made within 21 days of receipt of the progress report
- 12.17 Any secured creditor, or unsecured creditor with either the concurrence of at least 10% in value of the total unsecured creditors, including the value of their own claim or the permission of the Court, may make an application to the Court to challenge the Administrators' remuneration or other expenses pursuant to Rule 2 109 of the Rules as amended. Such an application must be made within 8 weeks of receipt of the progress report which first reports the charging of remuneration or the incurring of expenses in question. Formal notification of the application must be sent to the Administrators at least 14 days before the hearing.

## **Rights of Creditors**

- 12 18 The Insolvency Service has established a central gateway for considering complaints in respect of Insolvency practitioners. In the event that you make a complaint to me but are not satisfied with the response from me then you should visit <http://www.bis.gov.uk/insolvency/contact-us/IP-Complaints-Gateway> where you will find further information on how you may pursue the complaint.

## **13. Final remarks**

- 13.1 We trust the above provides you with sufficient information, but if you require more or have any questions please contact Ilyas Multani on 0121 265 7220.

Yours faithfully



**Ian Gould and Simon Girling**  
Joint Administrators

## APPENDIX A - STATUTORY INFORMATION

<b>Detail of the Court</b>	The High Court of Justice, Chancery Division, Birmingham District Registry Case reference. 8579 of 2013
<b>Full name</b>	Merthyr And Rhondda Cynon Taff Groundwork Trust
<b>Company number</b>	02087537
<b>Registered office</b>	<p>At the date of Administration, the Trust's registered office was situated at Fedw Hir, Llwydcoed, Aberdare, Rhondda Cynon Taff, CF44, 0DX</p> <p>For the purposes of the Administration, the Trust's registered office was changed to the office of BDO LLP, 125 Colmore Row, Birmingham, B3 3SD.</p>
<b>Administrators</b>	<p>Ian James Gould and Simon Girling BDO LLP 125 Colmore Row Birmingham B3 3SD</p> <p>IP numbers 7866 and 9283</p> <p>The Joint Administrators were appointed on 6 November 2013 by the Trust's Trustees.</p> <p>For the purposes of Paragraph 100 of Schedule B1 of the Act, the Joint Administrators are authorised to carry out all functions, duties and powers by each of them, joint and severally.</p>
<b>Date of incorporation</b>	7 January 1987
<b>Trading activities</b>	Charitable works
<b>Trading address</b>	Fedw Hir, Llwydcoed, Aberdare, Rhondda Cynon Taff, CF44, 0DX
<b>Issued share capital</b>	The Trust is a private Trust limited by guarantee but does not have share capital

Trust directors' (Trustees who acted within the last three years.	Name	Appointed	Resigned
	Fawzia Haq	23.11.2006	14.07.2011
	Gareth Jones	07.10.2010	01.11.2012
	Valerie Jones	23.11.2006	14.07.2011
	Craig Middle	12.12.2005	01.06.2012
	Robert William Smith	02.10.2009	01.06.2012

Cllr. Paul Smithers	29.05.2008	31 05.2012
Cllr. Graham Davies	25.05.2012	
Cllr Linda De Vet	30 05.2012	
Cllr. David Leslie Jarrett	09 10.2008	
Marianne Jones	28.04.2005	
Cllr. Christina Leyshon	30.05.2012	
Sir Richard Anthony Lloyd Jones	31 03 1995	
Cllr. Keiron John Montague	01 06 2012	
Lisa Victoria Mytton	16.06 2008	
Mary Lynfa Phillips	07.10.2003	
Vivian Rees	07 10.2010	
Jeffrey Richards	08.12.1999	
Philip Morris Walters	23 08.1994	

Trust secretary	Name	Appointed	Resigned
	Anne Cook	07 10 2010	
Executive Directors	Name	Appointed	Resigned
	Sue Price	1986	1998
	Margaret Hannigon Popp	1998	2012
	David Hart	2012	

**Trust's bankers** The Trust's bankers were The Co-operative Bank Plc.

**Registered charges** There are no registered charges at Company's House.

The Insolvency Act 1986

**Administrator's progress report**

Name of Company

**Merthyr And Rhondda Cynon Taff Groundwork Trust**

Company number

**2087537**

In the

**The High Court of Justice, Chancery Division  
Birmingham District Registry**

[full name of court]

Court case number

**8579 of 2013**(a) Insert full name(s) and  
address(es) of administrator(s)

**I/We (a) Ian Gould and Simon Edward Jex Girling of BDO LLP 125 Colmore Row,  
Birmingham, B3 3SD**

administrator(s) of the above company attach a progress report for the period

(b) Insert date

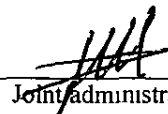
from

(b)  
6 November 2013

to

(b)  
5 May 2014

Signed

  
Joint administrator(s)

Dated

2/6/14

**Merthyr And Rhondda Cynon Taff Groundwork Trust**  
**(In Administration)**  
**Joint Administrators' Abstract of Receipts & Payments**

Statement of Affairs	From 06/11/2013 To 05/05/2014	From 06/11/2013 To 05/05/2014
<b>FIXED CHARGE ASSETS</b>		
Rent	4,896.26	4,896.26
License To Occupy - GWK Caerphilly	100.00	100.00
	<u>4,996.26</u>	<u>4,996.26</u>
<b>FIXED CHARGE COSTS</b>		
Utility Bills	2,709.03	2,709.03
EPC	1,190.00	1,190.00
	<u>(3,899.03)</u>	<u>(3,899.03)</u>
<b>ASSET REALISATIONS</b>		
Motor Vehicles	17,599.00	17,599.00
Book Debts	23,479.06	23,479.06
Insurance Refund	764.80	764.80
Rent	792.69	792.69
PayPal Account	88.28	88.28
Bank Interest Net of Tax	4.97	4.97
	<u>42,728.80</u>	<u>42,728.80</u>
<b>COST OF REALISATIONS</b>		
Payroll Fees	1,440.00	1,440.00
Management Assistance	5,241.14	5,241.14
Legal Fees (1)	794.00	794.00
Stationery & Postage	41.85	41.85
Storage Costs	8,415.59	8,415.59
Statutory Advertising	161.30	161.30
Insurance of Assets	67.31	67.31
Wages & Salaries	18,321.02	18,321.02
Bank Charges	11.88	11.88
	<u>(34,494.09)</u>	<u>(34,494.09)</u>
	<u><b>9,331.94</b></u>	<u><b>9,331.94</b></u>
<b>REPRESENTED BY</b>		
Vat Input		1,219.98
Bank 1 Current		912.95
Bank 2 Current		16,237.43
Trade Creditors		(7,269.66)
Vat Output		(20.00)
PAYE/NIC		(372.33)
Wages Control Account		(1,268.92)
Pension Deductions		(157.51)
Suspense Account		50.00
		<u><b>9,331.94</b></u>



***APPENDIX D - TIME COSTS ANALYSIS FOR THE PERIOD FROM 6 NOVEMBER 2013 TO 5 MAY 2014***



Name of assignment: Merthyr And Rhondda Cynon Taff Groundwork Trust

Summary of time charged and rates applicable for the period from 6 November 2013 to 5 May 2014

Description	PARTNER		MANAGER		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		TOTAL		AVERAGE HOURLY RATE £ P/H
	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	Hours	Value £	
A Pre appointment matters	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
B Steps on appointment	7 25	3,342 25	-	-	-	-	-	-	0 40	62 00	-	-	7 65	3,404 25	445 00
C Planning and Strategy	9 25	4,264 25	5 80	1,711 00	-	-	-	-	1 20	165 60	-	-	16 25	6,140 85	377 90
D General administration	2 40	1,106 40	27 15	7,697 25	3 60	658 80	2 60	447 20	70 75	9,765 20	7 25	471 00	113 75	20,145 85	177 11
E Asset and realisations/dealing	8 60	3,964 60	21 45	6,314 75	-	-	-	-	80 10	11,053 80	-	-	110 15	21,333 15	193 67
F Trading related matters	7 00	3,227 00	-	-	-	-	-	-	13 70	1,890 60	-	-	20 70	5,117 60	247 23
G Employee matters	6 55	3,019 55	10 20	2,953 80	22 65	4,154 95	-	-	23 70	3,009 30	0 50	32 00	63 60	13,169 60	207 07
H Creditor claims	2 70	1,244 70	4 80	1,344 00	-	-	-	-	19 40	2,677 20	0 20	15 60	26 90	5,281 50	196 34
I Reporting	-	-	0 80	236 00	-	-	-	-	21 30	2,939 40	2 50	160 00	24 60	3,335 40	135 59
J Distribution and closure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
K Other work	19 45	8,966 45	54 70	16,136 50	-	-	-	-	0 90	124 20	-	-	75 05	25,227 15	336 14
TOTAL	63 20	29,135 20	124 70	36,393 30	26 25	4,813 75	2 60	447 20	231 45	31,687 30	10 45	678 60	458 65	103,155 35	224 91

## **1 Introduction**

1.1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees, explains the basis on which fees are fixed and how creditors can seek information about expenses incurred by the administrator and challenge those they consider to be excessive.

## **2 The nature of administration**

2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:

- rescuing the company as a going concern, or
- achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration,

or, if the administrator thinks neither of these objectives is reasonably practicable

- realising property in order to make a distribution to secured or preferential creditors

## **3 The creditors' committee**

3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

## **4 Fixing the administrator's remuneration**

4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed

- as a percentage of the value of the property which the administrator has to deal with,
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration, or
- as a set amount

Any combination of these bases may be used to fix the remuneration, and different bases may be used for different things done by the administrator. Where the remuneration is fixed as a percentage, different percentages may be used for different things done by the administrator.

It is for the creditors' committee (if there is one) to determine on which of these bases, or combination of bases, the remuneration is to be fixed. Where it is fixed as a percentage, it is for the committee to determine the percentage or percentages to be applied, and where it is a set amount, to determine that amount. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the administrator;
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the administrator has to deal with

4.2 If there is no creditors' committee, or the committee does not make the requisite determination (and provided the circumstances described in paragraph 4.3 do not apply), the administrator's remuneration may be

7.1.2 If any part of the remuneration is sought on a time costs basis, the administrator should provide details of the minimum time units used and current charge-out rates, split by grades of staff, of those people who have been or who are likely to be involved in the time costs aspects of the case. 7.1.3 The administrator should also provide details and the cost of any work that has been or is intended to be sub-contracted out that could otherwise be carried out by the administrator or his or her staff.

7.1.4 If work has already been carried out, the administrator should state the proposed charge for the period to date and provide an explanation of what has been achieved in the period and how it was achieved, sufficient to enable the progress of the case to be assessed and whether the proposed charge is reasonable in the circumstances of the case. Where the proposed charge is calculated on a time costs basis, the administrator should disclose the time spent and the average charge-out rates, in larger cases split by grades of staff and analysed by appropriate activity. The administrator should also provide details and the cost of any work that has been subcontracted out that could otherwise be carried out by the administrator or his or her staff.

## **7.2 After the bases of remuneration have been fixed**

The administrator is required to send progress reports to creditors at specified intervals (see paragraph 8.1 below). When reporting periodically to creditors, in addition to the matters specified in paragraph 8.1, the administrator should provide an explanation of what has been achieved in the period under review and how it was achieved, sufficient to enable the progress of the case to be assessed. Creditors should be able to understand whether the remuneration charged is reasonable in the circumstances of the case (whilst recognising that the administrator must fulfil certain statutory obligations and regulatory requirements that might be perceived as bringing no added value for the estate). Where any remuneration is on a time costs basis, the administrator should disclose the charge in respect of the period, the time spent and the average charge-out rates, in larger cases split by grades of staff and analysed by appropriate activity. If there have been any changes to the charge-out rates during the period under review, rates should be disclosed by grades of staff, split by the periods applicable. The administrator should also provide details and the cost of any work that has been sub-contracted out that could otherwise be carried out by the administrator or his or her staff.

## **7.3 Disbursements and other expenses**

7.3.1 Costs met by and reimbursed to the administrator in connection with the administration should be appropriate and reasonable. Such costs will fall into two categories:

- Category 1 disbursements. These are costs where there is specific expenditure directly referable both to the administration and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the administrator or his or her staff.
- Category 2 disbursements. These are costs that are directly referable to the administration but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the administration on a proper and reasonable basis, for example, business mileage.

Category 1 disbursements can be drawn without prior approval, although the administrator should be prepared to disclose information about them in the same way as any other expenses. Category 2 disbursements may be drawn if they have been approved in the same manner as the administrator's remuneration. When seeking approval, the administrator should explain, for each category of expense, the basis on which the charge is being made.

7.3.2 The following are not permissible:

- a charge calculated as a percentage of remuneration,
- an administration fee or charge additional to the administrator's remuneration,
- recovery of basic overhead costs such as office and equipment rental, depreciation and finance charges.

## **8 Progress reports and requests for further information**

8.1 The administrator is required to send a progress report to creditors at 6-monthly intervals. The report must include:

- details of the basis fixed for the remuneration of the administrator (or if not fixed at the date of the report, the steps taken during the period of the report to fix it);

that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing

10.3 If the court considers the application well founded, it may order that the remuneration be reduced, the basis be changed, or the expenses be disallowed or repaid. Unless the court orders otherwise, the costs of the application must be paid by the applicant and not as an expense of the administration.

#### **11 What if the administrator is dissatisfied?**

11.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient or that the basis used to fix it is inappropriate he may request that the amount or rate be increased, or the basis changed, by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient or that the basis used to fix it is inappropriate, he may apply to the court for the amount or rate to be increased or the basis changed. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

#### **12 Other matters relating to remuneration**

12.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.

12.2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

12.3 If a new administrator is appointed in place of another, any determination, resolution or court order which was in effect immediately before the replacement continues to have effect in relation to the remuneration of the new administrator until a further determination, resolution or court order is made.

12.4 Where the basis of the remuneration is a set amount, and the administrator ceases to act before the time has elapsed or the work has been completed for which the amount was set, application may be made for a determination of the amount that should be paid to the outgoing administrator. The application must be made to the same body as approved the remuneration. Where the outgoing administrator and the incoming administrator are from the same firm, they will usually agree the apportionment between them.

#### **13. Effective date**

This guide applies where a company enters administration on or after 1 November 2011.

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff.

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The level of disclosure suggested above will not be appropriate in all cases, and considerations of proportionality will apply

- where cumulative time costs are, and are expected to be, less than £10,000 the administrator should, as a minimum, state the number of hours and average rate per hour and explain any unusual features of the case,
- where cumulative time costs are, or are expected to be, between £10,000 and £50,000, a time and charge-out summary similar to that shown above will usually provide the appropriate level of detail (subject to the explanation of any unusual features),
- where cumulative time costs exceed, or are expected to exceed, £50,000, further and more detailed analysis or explanation will be warranted.